

## **AN EMPIRICAL STUDY OF THE EFFECT OF MARKETING RESEARCH PRACTICES ON BUSINESS PERFORMANCE IN AUSTRALIA**

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### **ABSTRACT**

*Although the global revenue for the market research industry in 2017 was many billions of dollars, very little empirical research has been done to determine whether high performing business organizations differ from low performing business organizations with respect to their marketing research practices. This research was designed to determine if there are significant differences between high performing and low performing business organizations in Australia with respect to their marketing research practices.*

## 1. INTRODUCTION AND BACKGROUND

In 2017, the global revenue for the market research industry was more than 45.80 billion U.S. dollars up from 44.47 billion the previous year (Statista, 2018). According to the prescriptive literature, the prime value of marketing research lies in its contribution to improving the effectiveness of management decision making by reducing uncertainty and risks involved in decision making (Zikmund and Babin 2010; Zikmund, Ward and Winzar et.al. 2014). The prescriptive literature also claimed that marketing research can provide vital information to deal with uncertainty in the environment and for planning, organizing, forecasting and for identifying why something went wrong (Burns and Bush 2014; Burns, Bush and Veeck 2016; Kotler and Armstrong 2017; Malhotra Naresh 2009; Zikmund and Babin 2010; Zikmund, Ward and Winzar et.al. 2014).

However, despite the evidence of large global revenue for the marketing research industry and the widely acknowledged importance of marketing research in the prescriptive literature, a review of the literature in general shows that much of the discussion on the subject is largely prescriptive in nature, focusing on the methodological aspect of marketing research. For example, a great deal of the prescriptive literature provides extensive coverage of how marketing research should be done (e.g. Burns and Bush 2014; 2016; Kotler and Armstrong 2017; Malhotra Naresh 2009; Malhotra, Nunan et.al. 2017; Smith and Passey 2010; Zikmund and Babin 2010; Zikmund, D'alessandro, Lowe et.al. 2014) with particular attention given to issues pertaining to the development and conduct of marketing research, but very little empirical research has been conducted into whether high performing business organizations in Australia differ from low performing business organizations in Australia with respect to their marketing research practices. This research was designed to determine if there are significant differences between high performing and low performing business organizations in Australia regarding their marketing research practices.

## 2. METHODOLOGY

The primary data for this study was obtained via a self-administered mailed questionnaire. The questionnaires were addressed to the managing directors or CEOs of the companies that participated in this study. They were asked to pass on the questionnaire to the appropriate person in their organizations. The sample for this study was selected from a listing of Western Australian companies listed in the Western Australian Yellow Pages Directory. The reason for using this database is that it provides a wide representation of the businesses and industries operating in Western Australia. The final respondents used for this study were from a variety of industries including, construction, finance, mining, services, manufacturing, recreational sector, retailing, transportation and manufacturing sector.

Due to the exploratory nature of this research, only 1,000 business organizations in Western Australia were randomly selected for this study. Of the 1,000 questionnaires distributed to the businesses only 331 were returned. Of this 331 that were returned a total of 86 were returned because they were not deliverable as addressed and 40 organizations indicated they were no longer in operation (out of business, never in business, etc.). Seven questionnaires were deemed unusable due to missing data on key measures, and therefore were excluded from subsequent analysis. As a result, 198 were suitable for analysis, yielding 22.7 per cent (i.e. 198/874) response rate. Although this response rate is low, it is considered adequate for a mail exploratory survey. Non response bias was assessed by a comparison between early and late respondents on a number of key organizational characteristics. The analysis

revealed no significant differences at the 0.05 level between the two groups of organizations, suggesting that non-response bias is not a major problem. In order to determine whether the characteristics of the respondents differ from those of “non-respondents” the result of a sample of 30 non-respondents contacted by phone found that the companies could not participate due to “a lack of time” or that the business executives/owners were away or that the business executives/owners had no interest in participating in any academic research studies due to company policy. Furthermore, the analysis of data (at .05 significant level) showed that the characteristics of non-respondents concerning firm size, total company sales turnover, business experience, number and type of markets did not differ significantly from those of respondents. On the whole the majority of the companies (59.1 per cent) had less than 100 employees and the rest (40.9 per cent) employed more than 100 employees.

### **3. WHAT IS MARKETING RESEARCH?**

In examining the various definitions of marketing research in the literature, there appears to be a general consensus in the literature with respect to the underlying concepts of marketing research, that marketing research is a systematic, objective process that involves the collection and analysis of information for decision making. Therefore for the purpose of this study, in line with the literature marketing research was defined as a systematic and objective process of gathering, recording, and analyzing data to aid in solving marketing problems and in making marketing and business decisions (Kotler and Armstrong 2017; Palmatier and Sridhar (2017). Zikmund and Babin 2010; Zikmund, D'alessandro, Lowe et.al. 2014),

### **4. CLASSIFICATION OF LEVEL OF BUSINESS PERFORMANCE**

Financial measures were used in this study for classifying businesses into high performing and low performing business organizations. The classification of the two groups of organizations was based on the following four performance measures:

1. The profitability status of the organization
2. The organization's market share
3. The organization's total sales growth over the past three years
4. The organization's overall level of performance

To be classified as an organization with high level of performance, the organization must have performance scores higher than the median scale rating scores for each of the above performance measures. Based on the above criteria, 112 (56.6%) of business organizations were classified as low performing organizations, while the remaining 86 (43.4%) were classified as high performing organizations (See table 1).

**Table 1**  
**Low and High Performing Business Organizations**  
**Frequencies and Percentages (N = 198)**

<b>Classification of organizations</b>	<b>Number of Organizations</b>	<b>Percentage (%)</b>
Low Performing Organizations	112	56.6
High Performing Organizations	86	43.4

## 5. FINDINGS

The objective of this study is to provide a comparative examination of the marketing research practices between two groups of organizations, namely, low performing and high performing organizations. In particular, t-tests analyses were performed to determine if there are any significant differences between the two groups of organizations (high performing versus low performing organizations) with respect to the following areas:

- marketing research studies conducted by organizations and
- marketing research techniques used by organizations

## 6. MARKETING RESEARCH STUDIES CONDUCTED BY BUSINESS ORGANIZATIONS IN THIS STUDY

Results of the t-test analyses reported in table 2 indicate that there are significant differences in the types of marketing research studies conducted by low performing and high performing business organizations with respect to each of the following five categories of research: product research, market potential research, promotion and sales research, business economics and corporate research, corporate responsibility research, and distribution research.

**Table 2**  
**A Comparison of Low Performing and High Performing Organizations**  
**With Respect to Their Conduct of Marketing Research Studies**

	Mean for Low Performing Organizations	Mean for High Performing Organizations	Sig. Level
<b><i>Product Research Studies:</i></b>			
Comparison of competing products	4.11	<u>4.73</u>	0.016b
New product feasibility studies	3.79	<u>4.17</u>	0.044b
New product concept testing	3.46	<u>4.25</u>	0.002a
Consumer panels	2.71	<u>3.11</u>	N.S.
Brand name evaluation	<u>2.81</u>	2.78	N.S.
Packaging Design	3.08	<u>3.34</u>	N.S.
<b><i>Research of Potential Markets:</i></b>			
Determination of market characteristics	3.76	<u>4.38</u>	0.004a
Measurement of market potential	3.89	<u>4.13</u>	0.048b
Measurement of market share	3.65	<u>4.51</u>	0.000a
Test markets	1.89	<u>2.46</u>	0.035b
<b><i>Promotion and Sales Research Studies:</i></b>			
Determining buyer motives	2.54	<u>2.73</u>	N.S.
Advertising effectiveness studies	2.35	<u>2.58</u>	N.S.
Copy research	<u>2.71</u>	2.61	N.S.
Media research	2.28	<u>2.49</u>	N.S.
Consumer sales promotion	<u>2.09</u>	1.96	N.S.
Trade promotion studies	1.81	<u>2.19</u>	N.S.
Sales analysis	3.37	<u>4.35</u>	0.000a
Establishing sales territories	1.43	<u>1.78</u>	N.S.
Establishing sales quotas	1.38	<u>1.71</u>	N.S.
Sales compensation studies	1.45	<u>2.16</u>	0.002a
<b><i>Business Economics &amp; Corporate Research</i></b>			
Pricing studies	<u>3.08</u>	2.88	N.S.
Analysis of competitors	3.59	<u>4.02</u>	0.025b
Business trend studies	2.86	<u>3.51</u>	0.006a
Long-range (over one year) forecasting	2.15	<u>3.16</u>	0.000a
Short-range (not more than one year) forecasting	<u>2.53</u>	2.50	0.000a
Internal employee studies	1.88	<u>2.61</u>	0.002a

	Mean for Low Performing Organizations	Mean for High Performing Organizations	Sig. Level
Design of marketing information systems	1.28	<u>1.82</u>	0.018b
Development of export strategies	1.61	<u>2.19</u>	0.022b
Development of import strategies	<u>1.66</u>	1.59	N.S.
<b><i>Corporate Responsibility Research Studies:</i></b>			
Corporate image studies	3.02	<u>3.98</u>	0.004a
Studies of legal constraints on	1.89	<u>1.95</u>	N.S.
Role of business in the community	1.16	<u>1.76</u>	0.022b
Social values and policy studies	<u>2.09</u>	1.87	N.S.
Consumers' "right-to-know" studies	<u>1.18</u>	1.09	0.04b
Ecological impact studies	1.09	<u>1.23</u>	N.S.
<b><i>Distribution Research Studies:</i></b>			
Store audits	<u>2.67</u>	2.54	0.035b
Location studies	1.68	<u>1.75</u>	N.S.
Distribution network studies	1.18	<u>1.78</u>	0.004a
Channel relationship studies	2.36	<u>3.69</u>	0.000a
Selection of wholesales/retailers studies	2.86	<u>3.01</u>	N.S.
Distribution cost studies	1.38	<u>2.03</u>	0.018b

a = T-tests indicate significant difference at  $\alpha = 0.01$  level.

b = T-tests indicate significant difference at  $\alpha = 0.05$  level.

N.S. = No significant difference between low performing and high performing organizations.

### ***Product Research***

The mean ratings depicted in table 2 indicate that high performing organizations engaged in the following product research activities to a significantly greater extent than the low level performing firm (on a scale of 1-5 where 1 means that marketing research was conducted to a small or no extent; and 5 means that marketing research was conducted to a great extent)

- Research into comparing competitor's products,
- Research into new product feasibility and
- Research into new product concept testing.

In addition, high performing organizations, as compared to low performing organizations, indicated their level of involvement with new product feasibility studies (83.6 per cent v 69.2 per cent) and new product concept testing (86.6 per cent v 61.4 per cent) "to a great extent".

***Research of Market Potential***

Regarding the category concerned with the research of market potential, a comparison of the mean responses for the high and low performing organizations revealed statistically significant differences for all of the four studies within this research category including:

- determination of market characteristics,
- measurement of market potential,
- measurement of market share, and
- Test markets.

Similarly, the majority of high performing organizations had a greater percentage of organizations (as compared to low performing organizations) who conducted the research studies “to a great extent”. 85.9 per cent of high performing organizations were involved in studies conducted to determine market characteristics “to a great extent”, compared to organizations with low performance (68.7 per cent).

***Promotion and Sales Research***

A comparison of the mean responses of the low and high performing organizations revealed statistically significant differences with respect to the following types of promotion and sales research studies:

- sales analysis and
- sales compensation studies.

As can be anticipated by the mean ratings, the majority of high performing organizations (92.6 per cent) conducted sales analyses “to a great extent”, compared with 80.7 per cent of low performing organizations. Almost three-quarters (23.4 per cent) of the high performing organizations (as compared to 10.2 per cent of low performing organizations) engaged in sales compensation studies “to a great extent.”

***Business Economics and Corporate Research***

An analysis of the mean ratings for high and low performing organizations with respect to the research category of business economics and corporate research revealed significant differences for the following research areas:

- analysis of competitors,
- business trend studies,
- long range forecasting,
- short range forecasting,
- internal employee studies,
- design of marketing information systems, and
- Development of export strategies.

As expected, an analysis of the frequencies indicated that a greater percentage of high performing organizations compared to low level performing organizations conducted marketing research to a great extent in most of the marketing areas investigated in this study. For example, 75.6 per cent of high performing organizations (as compared to 69.7 per cent of low performing organizations) engaged in studies of competition “to a great extent”. A noteworthy exception relates to the higher percentage of low performing organizations (30.2 per cent) who conducted short range forecasting studies “to a great extent”, compared to 28.9 per cent of high performing organizations.

### ***Corporate Responsibility Research***

With respect to the category concerning corporate responsibility research, significant differences were found between low and high performing organizations with respect to the following research studies:

- corporate image studies,
- role of business in community, and
- Consumers’ “right-to-know” studies.

As expected, a greater proportion of high performing organizations (80.9 per cent), as opposed to 65.8 per cent of low performing organizations, conducted corporate image studies “to a great extent”. 16.3 per cent of high performing organizations engaged in studies of the business’ role in the community “to a great extent”, compared to only 5.3 per cent of low performing organizations. In contrast, more of the low performing organizations (5.8 per cent), as compared to only 1.8 per cent of the high performing organizations, conducted consumers’ “right-to-know” studies “to a great extent”.

### ***Distribution Research***

Figure 2 reveals significant differences found for the following distribution research studies conducted by low and high performing organizations:

- store audits,
- distribution network studies,
- channel relationship studies, and
- Distribution cost studies.

As can be anticipated by the mean ratings, the majority of high performing organizations had a greater percentage of organizations who conducted the research studies to a significant extent. Specifically, 18.8 per cent of high performing organizations carried out store audits “to a great extent” compared to only 10.2 per cent of low performing organizations; 55.6 per cent of high performing organizations reported of conducting channel relationship studies “to a great extent” compared to 37.4 per cent of low performing organizations; 21.6 per cent of high performing organizations, as opposed to 13.9 per cent of low performing organizations, engaged in distribution cost studies “to a great extent”. There is a higher percentage (29.7 per cent) of low performing organizations (compared to 26.6 per cent of high performing organizations) who rated their level of involvement in conducting store audits as “great extent”.

**Techniques Used By Businesses When Doing Marketing Research**

In order to determine and compare the techniques used by businesses when doing marketing research, respondents were asked to indicate the extent to which their organizations used various types of techniques pertaining to Data gathering collection methods; Research design methods; Sampling procedure methods; Data analysis methods. Results of the t-tests analyses reported in table 3 reveal some statistically significant findings between the low performing and high performing organizations with respect to the utilization of the various types of marketing research techniques.

**Table 3. A Comparison of Low Performing and High Performing Organizations' Use of Marketing Research Techniques**

<b>Marketing Research Techniques</b>	<b>Mean for Low Performing Organizations</b>	<b>Mean for High Performing Organizations</b>	<b>Sig. Level</b>
<b>Data Gathering collection:</b>			
Analysis of available published	3.55	<u>3.69</u>	N.S.
Analysis of company internal	3.44	<u>3.61</u>	N.S.
Personal interviews	2.81	<u>3.58</u>	0.003a
Telephone surveys	3.08	<u>3.32</u>	N.S.
Mail surveys	2.86	<u>3.29</u>	0.024b
Focus group interviews	1.91	<u>2.36</u>	0.015b
Consumer panels	1.83	<u>2.25</u>	0.006a
Store audits	1.75	<u>2.31</u>	0.008a
<b>Research Design:</b>			
Laboratory experimental designs	1.18	<u>1.41</u>	0.022b
Field experimental designs	1.21	<u>1.92</u>	0.004a
Test marketing	1.76	<u>2.32</u>	0.018b
Simulated market tests	1.12	<u>1.18</u>	N.S.
Delphi technique	1.07	<u>1.09</u>	N.S.
<b>Sampling Procedures:</b>			
Simple random sampling	1.82	<u>2.39</u>	0.004a
Stratified sampling	1.94	<u>2.67</u>	0.002a
Cluster sampling	1.85	<u>2.26</u>	0.015b
Quota sampling	1.58	<u>1.83</u>	N.S.
Judgmental sampling	1.59	<u>1.64</u>	N.S.
<b>Analysis:</b>			
Measures of dispersions	<u>2.15</u>	1.98	0.03b
Regression/correlation analysis	1.82	<u>2.31</u>	0.002a

Marketing Research Techniques	Mean for Low Performing Organizations	Mean for High Performing Organizations	Sig. Level
Confidence intervals	1.88	<u>2.14</u>	N.S.
Time series analysis	1.56	<u>2.05</u>	0.006a
Statistical test of significance	<u>1.46</u>	1.28	0.028b
Analysis of variance	1.43	<u>1.79</u>	N.S.
Factor analysis	1.65	<u>1.82</u>	0.045b
Cluster analysis	1.15	<u>1.39</u>	N.S.
Discriminant analysis	1.31	<u>1.69</u>	N.S.
Bayesian analysis	1.23	<u>1.51</u>	N.S.
Canonical analysis	1.19	<u>1.59</u>	N.S.
Computer simulation models	1.06	<u>1.48</u>	0.032b

a = T-tests indicate significant difference at  $\alpha = 0.01$  level.

b = T-tests indicate significant difference at  $\alpha = 0.05$  level.

N.S. = No significant difference between low performing and high performing organizations.

#### ***Data Gathering Methods:***

With respect to data gathering methods significant differences through t-tests analyses were found in that a greater proportion of high performing organizations, as compared to low performing organizations, used each of the following data gathering methods to a significantly greater extent for gathering data:

- Personal interviews,
- Mail surveys,
- Focus group interviews,
- Consumer panels, and
- Store audits.

#### ***Research Design Methods Used***

With respect to the category concerning research design used, significant differences through t-tests analyses were found in that a greater proportion of high performing organizations, as compared to low performing organizations, used each of the following research design data collection methods to a significantly greater extent:

- Laboratory experimental designs,
- Field experimental designs, and
- Test marketing design.

***Sampling Procedures:***

With respect to the sampling methods used, significant differences through t-tests analyses were found in that a greater proportion of high performing organizations, as compared to low performing organizations, used each of the following sampling procedure methods.

- Simple random sampling,
- Stratified sampling, and
- Cluster sampling.

This shows that organizations with high level of business performance used probability sampling methods to a greater extent than the organizations with low level of business performance.

***Data Analysis***

Regarding data analysis methods used, significant differences through t-tests analyses were found in that a greater proportion of high performing organizations, as compared to low performing organizations, used each of the following data analysis methods (See table 3).

- Measures of dispersions,
- Regression/correlation analysis,
- Time series analysis,
- Statistical test of significance,
- Factor analysis, and
- Computer simulated models.

**7. SUMMARY AND CONCLUSION**

This study found that the extent to which business organizations practice marketing research is significantly related to the level of their organizational performance. For example, organizations with high level of business performance carried out the following marketing research activities to a greater extent compared to the organizations with a low level of performance: market research into products to develop, market research into market potential, market research into promotion and selling methods to use, market research into the business economic conditions, research into corporate responsibility as well as research into distribution of the products (including services). The result of this study tends to support the prescriptive literature that stresses that organizations should use marketing research to find out what products to produce, what promotion methods to use, what pricing methods and strategies to use and what distribution strategies to employ prior to developing and entering into the market to help organizations achieve high level of business performance.

The study also found significant differences in the extent to which organizations with high level of business performance versus organizations with low level of business performance used various data gathering collection methods; research design methods; sampling procedure methods; data analysis method. For example, organizations with high level of business performance used probability sampling methods to a greater extent than the organizations with low level of business performance.

However, because of the small sample size used for this study, (N=198), a similar study on a much larger scale should be conducted to investigate further the validity of the findings of this study.

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